
FEDERAL ENERGY REGULATORY COMMISSION

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***Joint Statement of the Federal Energy Regulatory Commission and the
Commodity Futures Trading Commission to Announce Result of Their Analyses
of the February 2003 Natural Gas Price Spike***

The Federal Energy Regulatory Commission and the Commodity Futures Trading Commission today announced jointly that they had completed their respective investigations of trading behavior during the price spike observed in natural gas prices across the United States in late February 2003.

Neither investigation identified evidence of market manipulation.

FERC's "Report on the Natural Gas Price Spike of February 2003" found that the sharp price rise across the United States during the week of February 24, 2003 reflected relatively high short-term demand in the eastern and the mid-continental United States along with reduced ability to deliver natural gas from storage characteristic of the then-prevailing low storage inventories. Additional increases in price for specific eastern and mid-continent markets reflected even tighter supply demand balances due to the exhaustion of market-area storage.

In addition, FERC examined records of transactions for that week subpoenaed from brokers – a sample which Staff estimates represents a majority of relevant transactions – and found no evidence of market manipulation. Markets appeared to work effectively throughout the spike, though the Report raises concerns about the "thinness" of some of these markets and the need to improve liquidity by attracting more traders into these markets.

The CFTC's investigation focused on exchange-traded futures and options trading in natural gas during the week of February 24. Because large trader positions in futures and options are reported on a daily basis to the agency, the CFTC was able to monitor the activities of large traders while comparing the prices of the expiring March natural gas futures contract to a host of other related prices. Because of the high volatility, the agency also increased its level of direct surveillance of the NYMEX floor and looked intensively at the trading patterns of floor brokers and traders. The CFTC also obtained and listened to numerous audiotapes of conversations between clerks on the NYMEX floor and the customers who were using the markets during this week.

The CFTC found nothing in its analysis of large trader positions, prices, floor broker and trader activity, and trading tapes to suggest any manipulative activity in the natural gas futures and options market during the week of February 24, 2003.

The CFTC does not publicly release the information it obtains during its investigations. When it has reason to believe that wrongdoing has occurred, it initiates an enforcement proceeding.